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SUBJECT: LATVIA'S FIU REPORTS HISTORIC SUCCESS FOR 2006

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[1](#)B. RIGA 200

Classified By: A/DCM Tamir Waser for reasons 1.4 b and d

[1](#)1. (U) Summary: Over the past nine years, the Latvian Financial Intelligence Unit (FIU) has grown both in size and experience and is considered one of the most sophisticated in the region. The number of suspicious activity reports turned over to the FIU from looking forward has nearly doubled since 2004 as has the number of cases passed to the Prosecutor General's office. The FIU is working with the Parliament to further strengthen their money laundering laws and remains committed to combating terrorist financing. Embassy Riga has a positive working relationship with the FIU. End Summary.

[1](#)2. (U) PolOff met with Viesturs Burkans, Head of Latvia's FIU, in mid-May to discuss progress on money laundering issues. Burkans reports that 2006 was their most successful year since they were first formed in 1998. The number of suspicious activity reports given to the FIU from local banks has nearly doubled since 2004. The number of transactions banks have refused to process and have reported to the FIU has doubled since 2005. Of those reported to the FIU in 2006, over half were forwarded to the prosecutor's office for possible prosecution. In 2006, the FIU froze over 6.3 million USD worth of assets. As of May of 2007, the FIU has already frozen over 2 million USD this year.

Structure of the FIU

[1](#)3. (U) Established in 1998, the FIU employs 20 people specialized in handling unusual and suspicious transactions, international cooperation, and terrorist financing issues. Most FIU employees have a background working in the police, the prosecutor's office or various credit and financial institutions. The FIU reports to the Prosecutor General and is governed by an advisory board, which the Prosecutor General also chairs. The Advisory Board coordinates cooperation between the FIU and other law enforcement institutions.

Priorities:

[1](#)4. (U) The FIU has two priorities. First, the FIU focuses on freezing large volumes of money derived from criminal activities. The second priority focuses on those cases with large numbers of individuals or entities (over twenty) or large amounts of money (over 50,000 USD) involved in alleged money laundering schemes.

Power to Fight Terror Financing

15. (U) After September 11th, several amendments were made to the financial crime law to address the issue of terrorism and the financing of terror. According to these amendments, financial resources and other property are considered criminal proceeds whether controlled directly or indirectly by an individual who is included on a terrorist watch list compiled by a state or international organization as specified by the Cabinet of Ministers. Additionally, included are individuals who the Latvian authorities, either through investigation, pre-trial discovery or other means, place under suspicion of committing a crime of or is a participant to terrorism.

16. (U) To their list of indicators of unusual transactions and reporting procedures, the Latvian government has added an additional indicator which reads: a transaction shall be considered as an unusual transaction if it involves a customer who is suspected of being involved in acts of terrorism or complicity therein and has been included in the list of persons about which credit and financial institutions have been informed by the FIU.

17. (U) Under the law, Latvia recognizes the lists of other countries who are members of the United Nations, the European Union, the European Council, the Organization for Security and Cooperation in Europe, Interpol, Europol, the International Convention on the Suppression of Terrorist Financing or the Edgmont Group.

18. (U) Should the FIU identify a case of potential terrorist financing, or receive a report of such from another financial institution, the FIU immediately begins its verification process and issues an order to freeze the funds or property. The case is then sent to the Prosecutor's office which decides if a criminal case will be opened. The country or international organization that has this individual or company on their terrorist list is informed about the action taken by the FIU. Of the FIU's twenty employees, two specialize in terrorist financing.

New Money Laundering Laws

19. (C) According to Burkans, the prosecutor's office will be putting forward for consideration by the Parliament a new draft law on money laundering. This new legislation will bring them into compliance with outstanding EU requirements and strengthen the overall legal framework for the FIU's work. However, this new law will not change how the FIU does its work. Under the new law, the FIU would have the authority to freeze assets based on the request of another FIU. However, Burkans anticipates the possibility of resistance within the Parliament to this clause because the law does not require reciprocity on the part of the requesting institution.

Public Interest and Support

110. (C) When asked about the public support for his work, Burkans responded that it has been surprising how supportive the general public is on reporting fraud, abuse, and money laundering. Burkans explained a recent phenomenon in his office is that he has begun to receive letters from ordinary citizens writing to him explaining a wrong doing that they have noticed and providing him with copies of documents. With one exception, all the information that he has received from ordinary people through these letters has proven to be legitimate and has been forwarded to the Prosecutor's office.

Interestingly, these cases that were sent to him via mail from regular citizens were cases that had not been reported by any of the banks involved. One particular group of people he hears from the most often are those individuals and auditors who have been appointed by the court to oversee bankruptcy cases. As they begin adjudicating the case, they recognize money laundering and forward the information to the FIU. Burkans states that the public is involved and it is a good thing.

¶11. (C) Another recent development in the public area is the interest of the press. Recently, Burkans was approached by a group of journalists who have formed a committee to aid in the fight against money laundering. They have committed to turning over any documents they come across which may be of interest to the FIU. These are all open source documents which journalists regularly use such as those from the Enterprise Registry but, due to sheer volume, may not be normally considered by the law enforcement community. This group also hopes to shine more light on the issue by providing greater amounts of coverage.

FIU's future

¶12. (U) Latvia's law on cross border cash declaration (reftel B) entered into force July of 2006. As such, the responsibilities of the FIU have been extended to include the monitoring of reports sent to the FIU concerning cross-border cash declaration. As reflected in their statistics, suspicious activity reporting from institutions who have been less active in the past, continue to increase, thus the overall work load of the FIU has dramatically increased. In response, the FIU will be increasing its staff by ten positions. (four data input operators and six financial analysts) and continues to lobby the cabinet for new facilities

¶13. (C) Comment: Burkans remains positive about the work of his unit and seems to be untouched by any outside political pressures. His staff is very young, idealistic and energetic and takes their work seriously. Burkans expressed apprehension to moving to new facilities because currently, they are in the same building as the prosecutor and this has helped to facilitate their cooperation, but he recognizes the need for bigger accommodations for the sake of his staff. Burkans also reports that the Latvian FIU's relationship with US Treasury and FINCEN is excellent and praises the cooperation. However, his praise is less enthusiastic for the FIUs of western EU countries, stating that they can often be very challenging to work with. The best working relationships remains between Latvia and its Baltic neighbors. End Comment.

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